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Dear Shareholder

Recently Alesco has made a number of important announcements and I am writing to update you on these key developments.

Appointment of new CEO

On 3 May 2010, the Alesco Board announced the appointment of Peter Boyd as the Company's new Managing Director and Chief Executive Officer. Peter's appointment signals the Board's desire for a strong, process driven operational focus. He has demonstrated his operational capabilities over a long period in senior positions at Boral and, more recently, at Alesco's Garage Doors & Openers division. The Board is confident that his disciplined approach will drive improved earnings across the Group.

The Board was pleased to select the Company's next chief executive from within the senior ranks of the Alesco group.

FY10 results in line with guidance

Last week, Alesco confirmed that based on preliminary unaudited financial results, the Company's FY10 earnings per share before amortisation and significant items are in line with the guidance of the range of 24 to 27 cents, albeit towards the lower end of the range.

It also confirmed that the Company expects to report a post tax profit before significant items of approximately $12 million. However, after significant items (noted below), a net loss of approximately $126 million will be reported.

Significant items

The FY10 financial results will include pre-tax significant items of approximately $140 million comprising:

- an impairment charge of approximately $133 million for Water Products and Services Division (WPS);
- costs of $1.7 million associated with the resignation of Mr Justin Ryan, the former CEO; and
- the acceleration of a non cash accounting expense of $5.1 million in respect of the group's senior executive share loan plan.

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The review of the carrying value of Alesco's investment in the WPS business was foreshadowed earlier in the year and follows the completion of the Company's FY11 budget process. This outcome reflects tough market conditions, poor operating results and recognises that the challenge of integrating 14 separate businesses was far greater than anticipated on a number of levels – systems, culture, and people.

The WPS division has made progress in strengthening the management team, information systems, inventory control and basic business disciplines, but it is clear the turnaround of the business is a longer term project.

In relation to the share loan plan, historically, the Company has recognised this non-cash accounting expense progressively each year which has been off-set by notional interest income in that same year. The change in accounting treatment results from the decision by the Board (announced on 3 May 2010) to exercise its discretion to extend the repayment of the interest free loans made available to Mr Ryan under the Alesco Performance Share Acquisition Plan (APSAP) following his termination of employment. Accounting requirements dictate that this expense be recognised now and be applied to all plan participants.

While the acceleration of the non-cash accounting expense impacts the FY10 financial results, this will reverse over the remaining period of the loans with the Company progressively recognising the notional interest income over the remaining period of the loans. As a result, there is an overall net zero impact over the remaining life of the APSAP.

It is noted that the Company has security over all shares issued under the APSAP and the loans are full recourse to the plan participants.

No final dividend for FY10

Due to the quantum of the significant items, the Company will have negative retained earnings as at 31 May 2010 of approximately $105 million and therefore no final dividend for FY10 can be declared. However, the Board expects to pay an interim dividend in March 2011.

The Company continues to operate within its banking covenants.

Divisional performance

Our financial performance and shareholder returns remain unsatisfactory, particularly in relation to ongoing challenges associated with the Water Products & Services (WPS) division and the weaker than expected performance of the Functional & Decorative Products (FDP) division.

Overall divisional performance across the group was mixed but there are some notable highlights with Garage Doors & Openers (GDO) continuing to deliver strong trading results despite the tough market and the Construction & Mining's (C&M) trading result in line with expectations given the weakness of its markets.

However, FDP's trading result reflected both weaker end markets and operational inefficiencies. The performance of WPS was extremely disappointing, with the second half result weaker than expected, reflecting the tough market conditions and fall in commercial project activity.

We recognise that there is much work to be done to drive business improvement across the group and this is the current focus for Peter and his management team.

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The Way Forward

At an investor presentation held last week, Peter Boyd touched on some of his initial observations after seven weeks in the CEO role, and laid out a framework for improving the operational effectiveness of the businesses.

- As outlined in Peter's presentation, the coming year will revolve around driving the divisional performance through leveraging our strong brands to optimise revenue and gross margin, improve our manufacturing and distribution efficiencies to reduce costs and higher levels of customer service.

- Our target is to ensure a more disciplined operational approach which will generate improved financial results and improved shareholder returns.

A full copy of Peter's presentation, as well as audio of the event is available on the Alesco website- www.alesco.com.au – and I encourage you to review this material.

Further detail will be provided when we release the Company's formal full-year results in late-July and will also be available in our Annual Report.

Clearly the Company's financial performance has been unsatisfactory and the impairment charge associated with the WPS business is extremely disappointing. As a Board and management team we acknowledge that we have considerable work to do to restore investors' confidence in the Company and its prospects.

I look forward to reporting to shareholders at the annual general meeting on the Company's improved performance.

Yours sincerely

Mark Luby
Chairman